Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 PEKING 01803 01 OF 02 140723Z
ACTION EA-12

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TO SECSTATE WASHDC 1065
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 1803

DEPT PASS AGRICULTURE

E.O. 11652: GDS
TGAGS: EAGR EEWT OEXC CH US

SUBJ: SUMMARY REPORT ON THE NCUSCT AGRICULTURAL MACHINERY DELEGATION VISIT TO THE PRC MAY 19-JUNE 2

1. SUMMARY: A NCUSCT AGRICULTURAL MACHINERY DELEGATION VISITED CHI A FROM MAY 19 - JUNE 2, PRIMARILY TO PRESENT TO PRC SPECIALISTS TECHNICAL INFORMATION ON US FARM MACHINERY AND TO PAVE THE WAY FOR SALES OF US MACHINERY TO CHINA. THE DELEGATION WAS IMPRESSED BY THE NEED FOR MECHANIZATION AND NOTED THAT FIELDS IN HOPEI AND HONAN COULD BE READILY MEACHNIZED. IT ALSO OBSERVED THAT CHINESE-BUILT MACHINERY IS GENERALLY OF ANTIQUATED DESIGN. FOR THE CHINESE, ACQUISITION OF DESIGN AND PRODUCTION INFORMATION FOR LATER COPYING WAS UNDOUBTEDLY THE PRIMARY GOAL IN INVITING THE DELEGATION. NEVERTHELESS, IT IS LIKELY THAT THE DISPARITY BETWEEN CHINA'S NEEDS AND HER CAPABILITIES WILL COMPEL HER TO IMPORT MACHINERY IN THE NEAR FUTURE AND THE FIRMS IN THE DELEGATION PROBABLY GAINED SOME ADVANTAGES IN THE COMPETITION. END SUMMARY.
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PAGE 02 PEKING 01803 01 OF 02 140723Z

2. A SEVENTEEN MEMBER NCUSCT DELEGATION COMPRISING REPRESENTATIVES FROM DEERE AND COMPANY, INTERNATIONAL HARVESTER, ALLIS CHALMERS, SPERRY NEW HOLLAND, SEEDBURO AND ERICO INDUSTRIES VISITED THE PRC FROM MAY 19 TO JUNE 2 AT THE INVITATION OF THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT). THE DELEGATION

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

SPENT NINE DAYS IN PEKING PRESENTING TECHNICAL SEMINARS
AND SIGHTSEEING AND THEN TRAVELED TO LOYANG AND SHANGHAI.
THE US FIRMS' PURPOSE IN PRESENTING
SEMINARS WAS NATURALLY COMMERCIAL, AND SOME FIRMS MET
WITH MACHIMPEX AND TECHIMPORT WHILE IN PEKING. THE
CHINESE PURPOSE WAS PRIMARILY ACQUISITION OF DESIGN AND
PRODUCTION INFORMATION THAT WILL HELP THEM DESIGN THEIR
OWN PRODUCTS. ON A NUMBER OF OCCASIONS THE CHINESE,
PERHAPS PROTESTING TOO MUCH, TOOK SOME PAINS TO ALLAY
SUSPICITIONS THATTHIS WAS THEIR SOLE INTEREST AND THAT NO
TRADE WOULD FOLLOW FROM THE VISIT. FOR INSTANCE, LI
CHUAN, VICE CHAIRMAN OF CCPIT, SUGGESTED THAT CHINA WILL
BE BUYING SIGNIFICANT AMOUNTS OF EQUIPMENT AND IMPLICITLY ENCOURAGED
COPANIES TO DISPLAY THEIR PRODUCTS AT THE AGRICULTURAL
MACHINERY EXHIBITION SCHEDULED FOR THE FALL. COMMENT:
WHEN ASKED IN MAY, CCPIT CHAIRMAN WANG YAO-TING SAID
THAT US FIRMS WOULD NOT BE INVITED TO PARTICIPATE
BUT MANY AMERICAN FIRMS PLAN TO DO SO THROUGH THIRD
COUNTRY SUBSIDIARIES.
LI.S REMARKS SEEM GRATUITOUS, SINCE HE KNEW THAT
THE FIRMS HAD ALREADY MADE ARRANGEMENTS TO DO THIS).

3. DURING THEIR VISIT TO LOYANG AND SHANGHAI, DELEGATION
MEMBERS WERE IMPRESSED BY THE TREMENDOUS MANPOWER
REQUIREMENTS OF TRADITIONAL CHINESE AGRICULTURE AND THE
CONSEQUENT NEED FOR MECHANIZATION DURING PEAK PERIODS.
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IN WHEAT AREAS AROUND LOYANG VIRTUALLY ALL REAPING AND
THRASHING IS ACCOMPLISHED MANUALLY. THE SAME IS TRUE FOR
CULTIVATING AND PLANTING OF SUBSEQUENT CROPS. THE
DELEGATION OBSERVED THAT THE FIELDS IN HONAN AND HOPEI
COULD BE READILY MECHANIZED AND THAT CURRENT METHODS
ARE IN MANY CASES REDUCING HARVESTS. AT PRESENT, EVEN
UNDER IDEAL CONDITIONS, THERE IS PROBABLY A SHORTAGE OF
MANPOWER TO ACCOMPLISH BASIC TASKS QUICKLY ENOUGH TO
ENSURE MAXIMUM YIELDS FROM SUMMER CROPS. IN THE ABSENCE
OF MACHINERY SUCH AS COMBINES THAT CAN HARVEST QUICKLY,
HARVESTING IS EVEN MORE VULNERABLE TO LOSSES DUE TO BAD
WEATHER. AS THE CROPPING INDEX IS RAISED, AS IT IS
AROUND SHANGHAI, THE NEED FOR RAPID HARVESTING AND
TRANSPLANTING IS EVEN GREATER. RICE SEEDLING GATHERING
MACHINES AND TRANSPLANTERS SEEN ON A SHANGHAI COMMUNE
WERE IMPRESSIVE BUT IT WAS OBVIOUS THAT NEITHER TYPE
OF MACHINE WAS USED ON A LARGE SCALE. INTERCROPPING
PRACTICED WIDELY AROUND SHANGHAI ALSO PRESENTS GREAT
OBSTACLES TO MECHANIZATION.

4. SEMINAR TOPICS AND COMPANIES WERE SELECTED BY THE
CHINESE. BOTH JOHN DEERE AND INTERNATIONAL HARVESTER

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

MADE PRESENTATIONS ON THEIR PLANTERS. DEERE ALSO PRESENTED
FOUR WHEEL DRIVE TRACTORS, LLIS CHALMERS SPOKE ON HIGH
HORSEPOWER TRACTORS, AND INTERNATIONAL HARVESTER PRESENTED
ITS COMBINES AND CONVENTIONAL TRACTORS. SPERRY NEW
HOLLAND PRESENTEDAN AUTOMATED BALE HANDLING SYSTEM,
WHILE SEEDBURO AND BERICO INDUSTRIES SPOKE ON DRYING
AND STORAGE OF BULK GRAIN AND RICE. ACTUAL PRESENTATIONS
STRAYED BEYONE THESE TOPICS AS COMPANIES SOUGHT TO
INTRODUCE THE FULL RANGE OF THEIR PRODUCT LINES, BUT TTHE
AREAS CHOSEN FOR DISCUSSION WERE THE ONES OF GREATEST
INTEREST TO THE CHINESE. DURING THE TRIP, CCPIT OFFICIALS
QUESTIONED INTERNATIONAL HARVESTER TECHNICIANS AT LENGTH
ABOUT "CUSTOM COMBINING" MOBILE HARVESTING TEAMS
EMPLOYING LARGE COMBINES WHO HIRE THEMSELVES OUT TO
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PAGE 04 PEKING 01803 01 OF 02 140723Z

FARMERS DURING HARVEST TIME -- AS PRACTICED IN THE US. DELEGATION
MEMBERS SPECULATED THAT CUSTOM COMBINING MIGHT MEET CHINA'S NEEDS.)

5. THE SEMINARS WERE ATTENDED PRIMARILY BY ENGINEERS
FROM VARIOUS CHINESE AGRICULTURAL MACHINERY ORGANIZATIONS.
THESE INCLUDED THECHINESE AGRICULTURAL MACHINERY COMPANY,
WHICH IS A NATIONWIDE DISTRIBUTOR OF MACHINERY UNDER THE

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PAGE 01 PEKING 01803 02 OF 02 140758Z
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INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 1803

DEPT PASS AGRICULTURE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

FIRST MINISTRY OF MACHINE BUILDING; THE CHINESE AGRICULTURAL MACHINERY SOCIETY AND THE CHINESE MECHANICAL ENGINEERING SOCIETY, BOTH ASSOCIATED WITH THE FIRST MINSTRY; AND THE AGRICULTURAL MACHINERY INSTITUTE, THE ASSOCIATIONS OF WHICH ARE UNCLEAR. ALSO ATTENDING WERE ENGINEERS FROM SEVERAL STATE FARMS, INCLUDING THE FRIENDSHIP STATE FARM IN HEILUNGKIANG WHICH IS TESTING JOHN DEERE EQUIPMENT, AND ENGINEERS FROM SOME MAJOR FACTORIES IN CHINA. ATTENDING SEMINARS HELD BY SEEDBURO AND BERICO INDUSTRIES WERE TECHNICIANS FROM, AMONG OTHERS, THE PEKING CEREALS, OILS AND FOODSTUFFS INDUSTRIAL CORPORATION WHICH MANAGES GRAIN STORAGE STATIONS AROUND PEKING. AS USUAL, THE CHINESE ASKED DETAILED TECHNICAL QUESTIONS, SOMETIMES TOUCHING ON PROPRIETARY SUBJECTS. THE US COMPANIES WERE WELL PREPARED WITH CHINESE LANGUAGE MATERIALS, PERHAPS THE MOST EFFECTIVE OF WHICH WERE COMPANY FILMS DUBBED INTO CHINESE BY NCUSCT AND LEFT WITH CCPIT FOR SHOWING THROUGHOUT THE COUNTRY.

6. THE DELEGATION (AT ITS REQUEST) LEFT FIVE DAYS EARLIER THAN ORIGINALLY SCHEDULED WITHOUT EVER SEEING A WHEELED-
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PAGE 02 PEKING 01803 02 OF 02 140758Z

TRACTOR PRODUCTION LINE. IN PEKING THEY VISITED THE RED STAR COMMUNE, THE PEKING INTERNAL COMBUSTION ENGINE PLANT, AND A GRAIN STORAGE STATION. IN LOYANG, THEY VISITED THE LOYANG TRACTOR FACTORY, CHINA'S LARGEST, BUT SAW ONLY ENGINE AND CRAWLING TRACTOR PRODUCTION. IN SHANGHAI, THEY VISITED ANOTHER COMMUNE, THE SHANGHAI DIESEL ENGINE PLANT AND A DOCKSIDE GRAIN ELEVATOR. THE DELEGATION OBSERVED THAT CHINESE ENGINES ARE HEAVIER AND HAVE A MUCH GREATER WEIGHT/POWER RATIO THAN THOSE PRODUCED IN THE US. DESIGNS ARE CONVENTIONAL BUT ANTIQUATED IN MOST CASES, WITH TOO MANY PARTS USED. THE CRAWLER TRACTOR IN PRODUCTION AT LOYANG HAD A PARTICULARLY ANTIQUATED DESIGN. A WELL DESIGNED WHEELED 50 HP TRACTOR DISPLAYED IN THE SHANGHAI EXHIBITION CENTER APPEARED TO THE DELEGATION TOBE AN EXACT COPY OF A MASSEY-FERGUSON. THE CHINESE SAIDFEW OF THESE TRACTORS ARE PRODUCED.

7. COMMENT: ON BALANCE, THE DELEGATION'S VISIT PROBABLY WILL HELP TO INCREASE TRADE IN US MANUFACTURED AGRICULTURAL MACHINERY WITH CHINA, AND WILL PUT THE PARTICIPATING COMPANIES IN A FAVORED COMPETITIVE POSITION. THE DISPARITY BETWEEN CHINA'S PLANS AND HER CURRENT PRODUCTION CAPABILITIES, PARTICULARLY IN THE HIGH-HORSEPOWER TRACTOR AND COMBINE AREAS, SUGGESTS THAT SOME SALES

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

ARE IN PROSPECT IN THE NEAR FUTURE. IT REMAINS TO BE SEEN HOW MUCH OF THIS KIND OF EQUIPMENT CHINA WILL EVENTUALLY IMPORT FROM THE UNITED STATES, HOWEVER, AND SOME TRADERS FEEL THAT THE CHINESE STILL PREFER, FOR POLITICAL REASONS, TO DEAL WITH US SUBSIDIARIES IN THIRD COUNTRIES.

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8. A DETAILED REPORT, INCLUDING FACTORY VISIT REPORTS, WILL FOLLOW BY AIRGRAM.
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